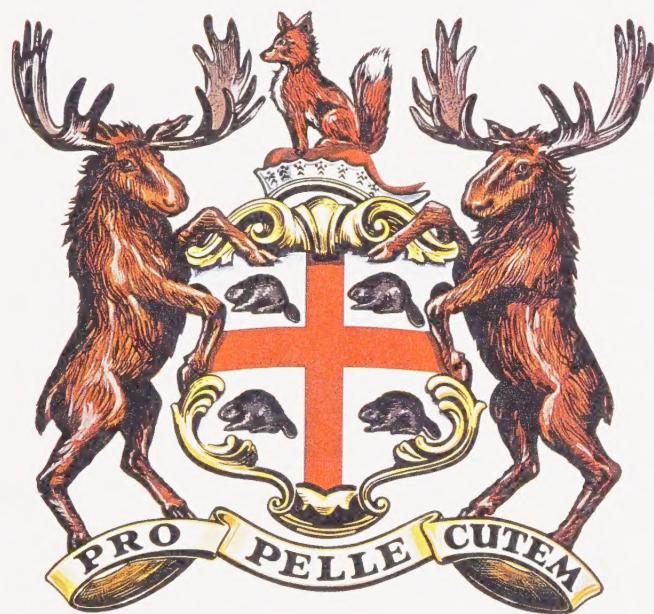


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**REPORT AND ACCOUNTS 1969
THE GOVERNOR AND COMPANY
OF ADVENTURERS OF ENGLAND
TRADING INTO HUDSON'S BAY
300th ANNUAL GENERAL COURT**



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Hudson's Bay Company

INCORPORATED 2ND MAY 1670

DIRECTORS' REPORT & ACCOUNTS
TO BE LAID BEFORE THE PROPRIETORS AT
THE 300th ANNUAL GENERAL COURT AT
BEAVER HALL, GARLICK HILL, LONDON E.C.4,
ON WEDNESDAY 14th MAY, 1969, AT 11:45 A.M.

This Canadian dollar version of the Directors' Report and Accounts has been prepared for the convenience of Proprietors resident in North America. The original sterling accounts are to be laid before the Proprietors at the 300th Annual General Court. Proprietors wishing to obtain a copy of the sterling Directors' Report and Accounts should write to The Secretary, Canadian Committee, Hudson's Bay House, 79 Main Street, Winnipeg 1, Manitoba.

To commemorate the Company's 300th Anniversary in 1970, a replica of the "Nonsuch", the Company's first ship, has been built in England. She was launched August 26, 1968, in Appledore, Devon. Next year she will go to Canada and eventually to the Manitoba Museum in Winnipeg.

BOARD

THE RT. HON. VISCOUNT AMORY,
K.G., P.C., G.C.M.G., T.D., D.L.
London
Governor

D. E. KILGOUR
Winnipeg
President, The Great-West Life Assurance Company
Chairman, Canadian Committee of the Board

J. R. MURRAY
Winnipeg
Managing Director

R. E. SHEEN
Winnipeg
Deputy Managing Director

H. W. SUTHERLAND
Montreal
Deputy Managing Director

T. NORBERT BEAUPRÉ
Montreal
Chairman of the Board & President, Domtar Limited

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.
London
Director, The British Petroleum Company Ltd.

J. E. H. COLLINS, M.B.E., D.S.C.
London
Managing Director, Morgan, Grenfell & Co. Ltd.

E. O. FAULKNER, M.B.E.
London
Chairman, Lloyds Bank Ltd.

DONALD GORDON, C.C., C.M.G., LL.D., D.C.L.
Montreal
President & Chief Executive Officer, British Newfoundland Corporation Ltd.

G. R. HUNTER, Q.C.
Winnipeg
Partner, Pitblado, Hoskin & Company

W. J. KESWICK
London
Director, Matheson & Co. Ltd.

J. G. LINKS, O.B.E.
London
Director, Calman Links Ltd.

J. BARTLETT MORGAN
Montreal
Chairman of the Board, The Morgan Trust Company

GEORGE T. RICHARDSON
Winnipeg
President, James Richardson & Sons Ltd.

JAMES A. RICHARDSON
Winnipeg
Resigned July 23, 1968

C. GORDON SMITH
Winnipeg
Corporate Director

GRAHAM F. TOWERS, C.M.G.
Ottawa
Corporate Director

SENIOR MANAGEMENT

D. G. BUCKLEY
General Manager, Western Region

C. W. EVANS
General Manager, Central Region

A. R. MURRAY
General Manager, Henry Morgan & Co. Limited

D. H. PITTS
General Manager, Northern Stores Department

R. A. PARK
General Manager, Buying Services

G. A. BURROWS
General Manager, Wholesale Department

A. F. FRAYLING
General Manager, Fur Sales

L. J. HENRY
President, Hudson's Bay Company Fur Sales Incorporated

J. G. W. MCINTYRE
President, Rupert's Land Trading Company

P. W. WOOD, M.C.
Treasurer

M. H. MacKENZIE
Director of Personnel

R. A. REYNOLDS, T.D.
Secretary

A. R. HUBAND
Secretary, Canadian Committee of the Board

NOTICE OF MEETING

1. The 300th ANNUAL GENERAL COURT of The Governor and Company of Adventurers of England trading into Hudson's Bay will be held at Beaver Hall, Garlick Hill, London, E.C.4, on 14th May, 1969, at 11:45 a.m., to receive the Accounts for the year ended 31st January, 1969, together with a report from the Board.
2. Resolutions will be proposed at the Court:
 - (a) For payment on 21st May, 1969, of a final dividend for the year ended 31st January, 1969, at the rate of 11% to Proprietors registered as Shareholders on 11th April, 1969.
(Resolution No. 1)
 - (b) To approve and adopt the Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st January, 1969, including the Group Accounts.
(Resolution No. 2)
3. The following Director was appointed during the year by the Board and now retires but, being eligible, is proposed for re-election as a member of the Board:
George T. Richardson
(Resolution No. 3)
4. Directors retiring by rotation and proposed for re-election as members of the Board are:
E. O. Faulkner, M.B.E.
D. E. Kilgour (Chairman,
Canadian Committee)
J. G. Links, O.B.E.
J. Bartlett Morgan
H. W. Sutherland (Deputy
Managing Director)
(Resolution No. 4)
(Resolution No. 5)
(Resolution No. 6)
(Resolution No. 7)
(Resolution No. 8)
5. Messrs. PEAT, MARWICK, MITCHELL & CO., having notified the Company that they are willing to continue as Auditors, a Resolution will be proposed at the Court to fix their fee.
(Resolution No. 9)
6. Transfer books will be closed from 12th April to 26th April, 1969, inclusive.

BEAVER HOUSE,
GREAT TRINITY LANE,
LONDON, E.C.4.
21st April, 1969

By Order of the Board
R. A. REYNOLDS
Secretary

CONSOLIDATED FINANCIAL SUMMARY

HUDSON'S BAY COMPANY YEARS ENDED 31st JANUARY

	1969	1968
	\$	\$
SALES	453,079,000	424,788,000
CONSOLIDATED PROFIT AND LOSS		
Profit before taxes	27,435,000	25,594,000
Taxation on profits	12,732,000	11,486,000
Net profit	14,703,000	14,108,000
Net profit per share	\$1.08	\$1.04
Cost of dividends	7,049,000	7,360,000
Cost of dividends per share	52¢	54¢
Estimated transitional tax relief	1,235,000	1,560,000
CONSOLIDATED BALANCE SHEET		
Fixed assets	96,327,000	91,530,000
Trade investments	11,590,000	10,280,000
Net current assets	102,927,000	90,124,000
Assets employed	210,844,000	191,934,000
Long term debt	47,195,000	37,208,000
Shareholders' equity	163,649,000	154,726,000
OPERATING RESULTS BEFORE TAXES		
Retail — Sales	371,951,000	349,968,000
Profit	18,569,000	18,270,000
Fur — Sales and consignments	116,901,000	95,761,000
Profit	2,265,000	868,000
Wholesale — Sales	74,441,000	69,862,000
Profit	2,324,000	2,226,000
Royalties	2,228,000	2,181,000
Trade investment income	2,049,000	2,049,000

Note: Dividends, declared in Sterling, are converted to Canadian dollars as follows:
 This Year \$2.60; Last Year Interim \$3.00; Last Year Final \$2.60.

DIRECTORS' REPORT TO PROPRIETORS

The dominant features of the past year have been a strong recovery of the fur markets of the world, a further intensification of competition in the retail trade in nearly every major city of Canada, and a continuing rise in costs and taxes which adversely affected profit margins in some areas.

PROFIT

Profit before tax was \$27,435,000, an increase of 7.2% over last year's profit of \$25,594,000. Net profit after tax amounted to \$14,703,000 (\$1.08 per share) compared with \$14,108,000 (\$1.04 per share) a year ago. Higher rates of tax in Canada and the United States cut down the increase in net profit to 4.2%.

The major part of the increase in profits was due to a welcome recovery in fur results.

SALES

Sales increased by 6.7% to \$453,079,000. In addition, fur consignment sales rose by 21% to a record volume of \$110,214,000. North American department stores normally end their accounting years on the Saturday closest to the year end. This means that a 53-week accounting period occurs every sixth year and 1968 was such a year for the Company's department stores. On a comparable 52-week basis, sales were ahead 4.7%.

TAXATION AND DIVIDENDS

Transitional taxation relief under the United Kingdom Finance Act, 1965, is estimated at \$1,235,000, based on the dividends charged in this year's Accounts. Over the next four years this relief is due gradually to diminish to nil. An interim dividend of 9% was paid in October 1968.

The increase in profits over the past few years would lead the Board to feel justified in recommending some increase in dividend.

Two factors, however, have to be taken into consideration: the current restrictions on increases in dividends in the United Kingdom and the fact that, as mentioned in last year's Annual Report, under the temporary relief provisions of the United Kingdom Finance Act of 1965, any substantial increase in dividend at the present time would carry with it an abnormally heavy taxation charge.

In these circumstances the Board has felt it necessary to limit its recommendation to a final dividend of 11% which will increase the total dividend for the year from 19½% to 20%.

BALANCE SHEET

Fixed Assets

At the year end net fixed assets stood at \$96.3 million, an increase of 5% over the previous year. Capital expenditure of \$11.3 million was made up of \$6.5 million on land and buildings, and \$4.8 million on equipment and transport. A new store and a service building in Vancouver and a new distribution centre for Northern Stores in Montreal were the largest capital projects. Depreciation at \$6.2 million was up 5%.

TRADING

Canada once again experienced economic growth and prosperity in 1968. Gross National Product increased by 8% and the value of Canadian exports by 19% over the previous year. Continuing inflation eroded a large part of this impressive economic advance; nevertheless, growth in real terms nearly doubled that achieved in 1967.

Inflation is not something new in Canada. In recent Annual Reports, Proprietors have been told of the inflationary pressures that

have been building up in the Canadian economy over the last three years. In 1968 the effects of the build-up were felt by most Canadians who saw the Consumer Price Index increase by a further 4%.

Department Stores

The pattern of sales growth in our department stores was more irregular than in recent years, reflecting the prevailing regional disparity in economic conditions in different parts of Canada and the effect of new competition in some communities.

On the other hand, expenses followed a steady upward trend—particularly wages and municipal taxes. The result was a narrowing of profit margins and only a slight increase in overall retail profit.

As mentioned in last year's report, the new 190,000 square feet downtown store in Regina, Saskatchewan, featured in the pictorial section of this report, was opened successfully on 29th February, 1968. In Montreal, the six-year modernisation programme in Morgan's downtown store was completed with the resetting of the two fashion floors.

In Vancouver, two attractive suburban branch stores, both of approximately 120,000 square feet, will be opened this year, one in Richmond in the Spring and the other at Lougheed Mall in Burnaby in the Fall. Also in Vancouver, the Company will open this Summer, a 260,000 square feet distribution centre to provide additional storage and service facilities for the Company's stores in Vancouver and other communities in British Columbia. Construction has begun on a suburban store in Fairview Mall in Toronto and will shortly start on a suburban branch store in the Southgate Mall in Edmonton. Both are scheduled for com-

pletion in 1970 and will be leased from shopping centre companies in which the Company has important minority equity interests.

Northern Stores

Economic conditions in the North remained generally stable in 1968. Higher operating expenses were more than offset by increased sales and improved stock turnover.

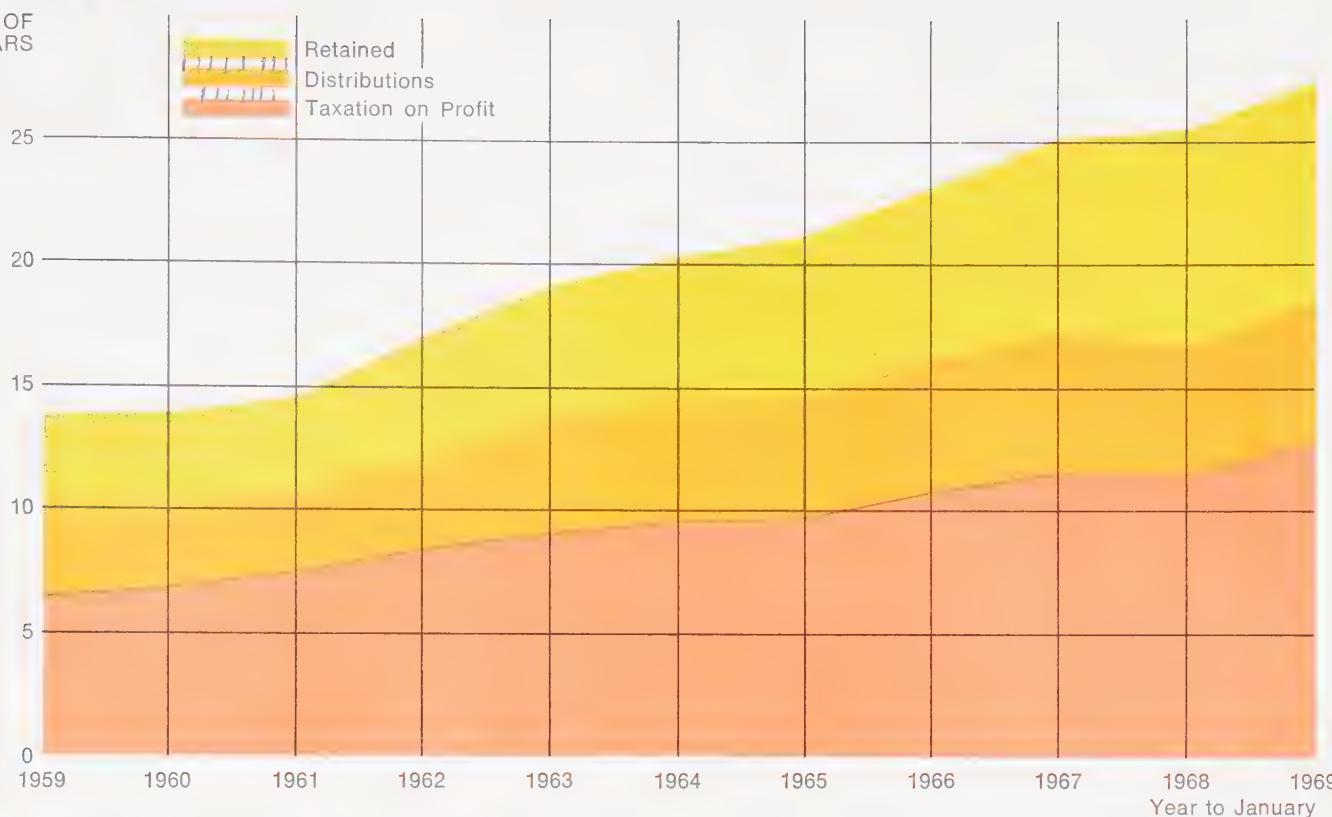
Northern Stores now operate 217 units. The two largest construction projects carried out in 1968 were a new store at Hay River, N.W.T., and an addition to the existing store at Lynn Lake, Manitoba. New stores were opened at John D'Or Prairie, Alberta, and Gillam, Manitoba. Older stores were replaced at Berens River, Manitoba; Stanley, Saskatchewan; Pond Inlet and Arctic Bay on Baffin Island. Arctic Bay is the Company's most northerly location, situated 2,000 miles north of Toronto. Stores at Waterways, Alberta, and Reindeer Station in the Northwest Territories were closed.

Construction of a 130,000 square feet merchandise distribution centre was completed in February 1969. This \$1.5 million project located in Montreal will provide warehousing and shipping services for Northern Stores across the country.

The season was marred by two marine casualties—the chartered vessel M.V. "Koralle" and the Company tug "Rupert River" both struck reefs while delivering merchandise to Northern Stores in the Hudson Bay area. Fortunately, no loss of life was involved and both ships were salvaged and other arrangements were made for delivery of merchandise before the end of the shipping season.

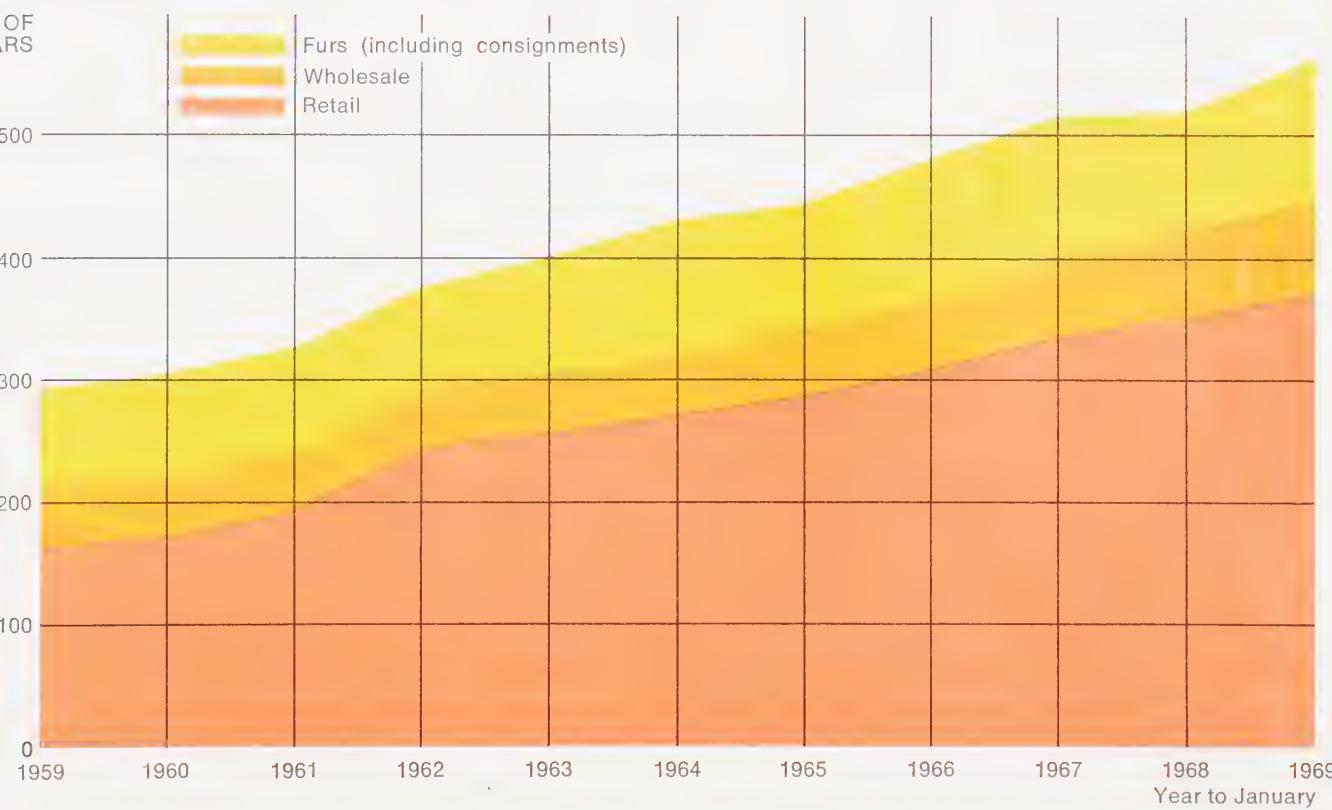
PROFIT

MILLIONS OF DOLLARS



SALES

MILLIONS OF DOLLARS



Wholesale

The steady progress made by the Wholesale Department in recent years continued in 1968. Expansion of vending machine activities and addition of other lines of merchandise have helped to offset a slow-down in traditional tobacco business which accounts for 75% of the volume of this department. With the opening of new branches in Medicine Hat, Alberta; Kamloops, British Columbia, and Niagara Falls, Ontario, the Wholesale Department now has 23 branches throughout Canada—seven of which have been opened in the last five years.

Fur

A year ago in explaining the Company's poorest fur results in over a decade, it was pointed out that severe fluctuations are periodic hazards of the fur business. This year our fur business enjoyed the benefits of a strong recovery in both demand and price levels for all major categories.

Of our three fur auctions, London was in the best position to benefit from these conditions, and achieved a record profit. Strong European demand, particularly from Germany and Italy, and a wide range of offerings contributed to an outstanding result. The two most important varieties handled in London are Persian Lamb from South West Africa and Afghanistan, and ranch-raised Mink from the United Kingdom and Europe. These two items together accounted for over 80 per cent of last year's volume in London and this represented an increase in excess of 50 per cent for the same varieties in the previous year.

Profits from the Company's own collection of wild furs were higher as the majority of items were sold on a rising market.

Oil

For Hudson's Bay Oil and Gas Company, owned 21.9% by Hudson's Bay Company, 1968 was another year of substantial growth. New records were established in almost every phase of its operations. Net earnings and net cash income generated from operations reached the highest levels yet attained.

Gross operating revenues at \$66.9 million increased by 8.4% as a result of larger sales of crude oil, gas liquids and natural gas, a higher average price realised on sulphur sales, and a greater volume of business in pipeline and product distribution operations.

Capital expenditures and exploration expenses totalled \$60.7 million in 1968 as compared with \$41.7 million in the previous year. New natural gas processing plants and an expanded exploration programme accounted for most of the increase in expenditures. Additions to reserves were well in excess of the 18 million barrels of crude oil and natural gas liquids and 85,000 million cubic feet of natural gas sold during the year. At the year end proved and probable reserves were estimated to be 376 million barrels of crude oil and natural gas liquids and 3.1 million million cubic feet of natural gas.

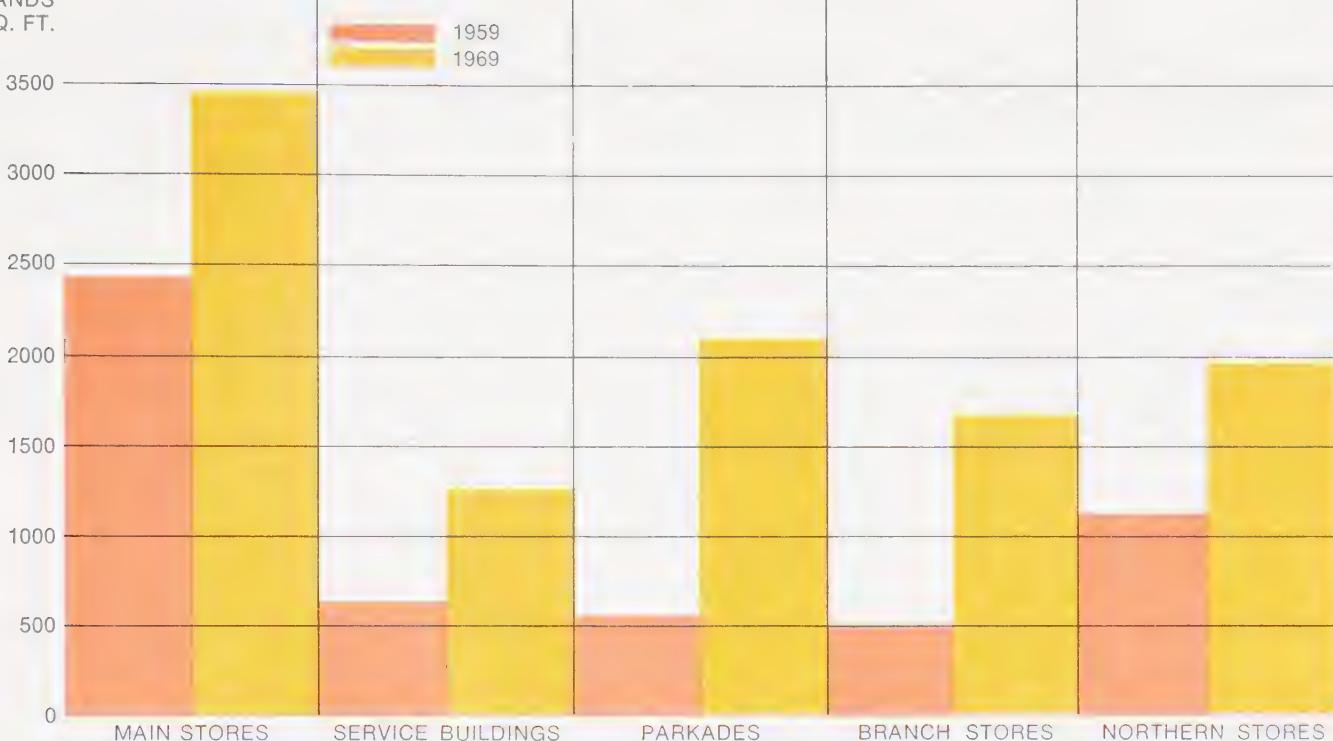
Net earnings for the year were \$26,790,000, a 21% increase over 1967. After providing for a full year's dividend on the preferred shares, net earnings per common share were \$1.38, a gain of 16%. The annual dividend was unchanged at 50¢ per common share.

BOARD

During the past year Mr. James Richardson resigned from the Board on his appointment as a Minister in the Canadian Federal Government.

RETAIL FACILITIES

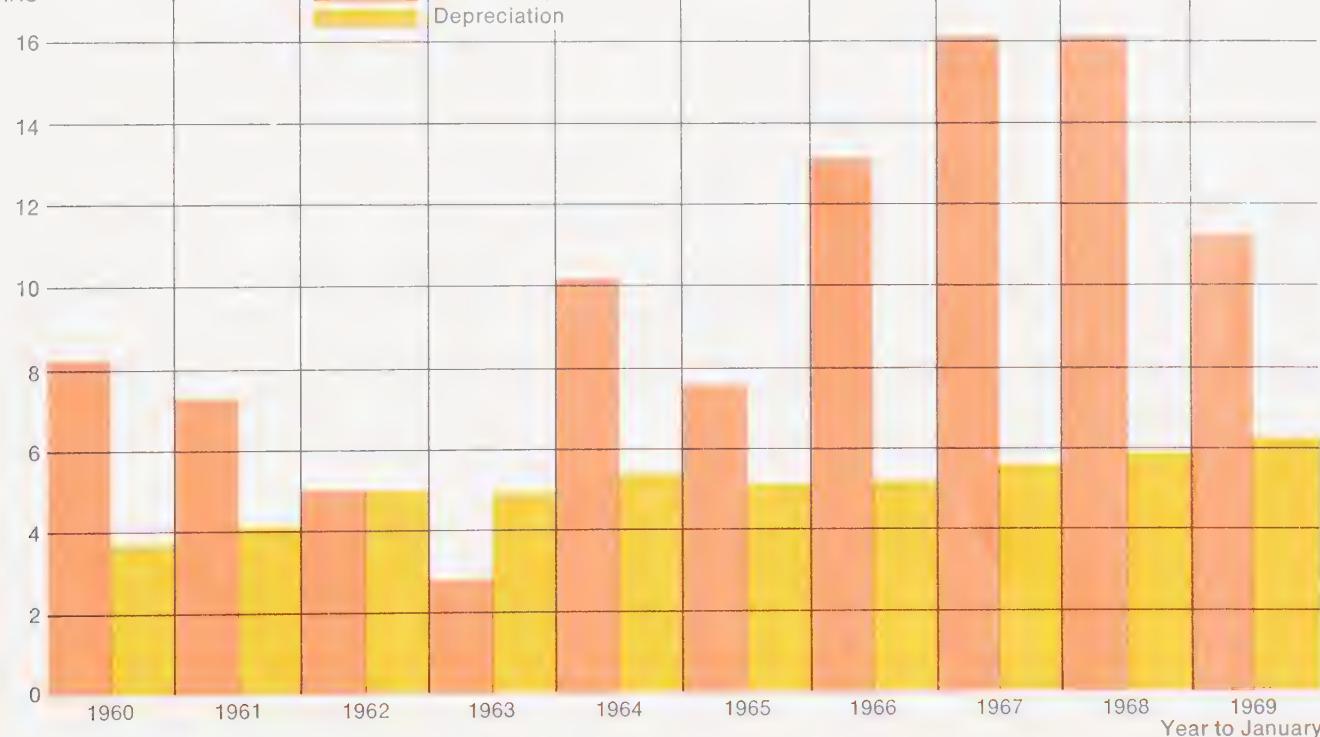
THOUSANDS
OF SQ. FT.



CAPITAL EXPENDITURES AND DEPRECIATION (Land, Buildings and Equipment)

MILLIONS OF
DOLLARS

Capital Expenditures
Depreciation



To our sincere thanks to Mr. Richardson for his services to our Company during the eight years he served as a Director are added our best wishes to him in the important new responsibilities he has undertaken.

We have been delighted to welcome on the Board Mr. George Richardson whose experience and abilities will be of great value to our Company.

STAFF

No review of the past year would be complete without a well deserved tribute to the part played by our staff. On behalf of our Proprietors and our Board of Directors, I wish to express our gratitude to them for the contribution they have made.

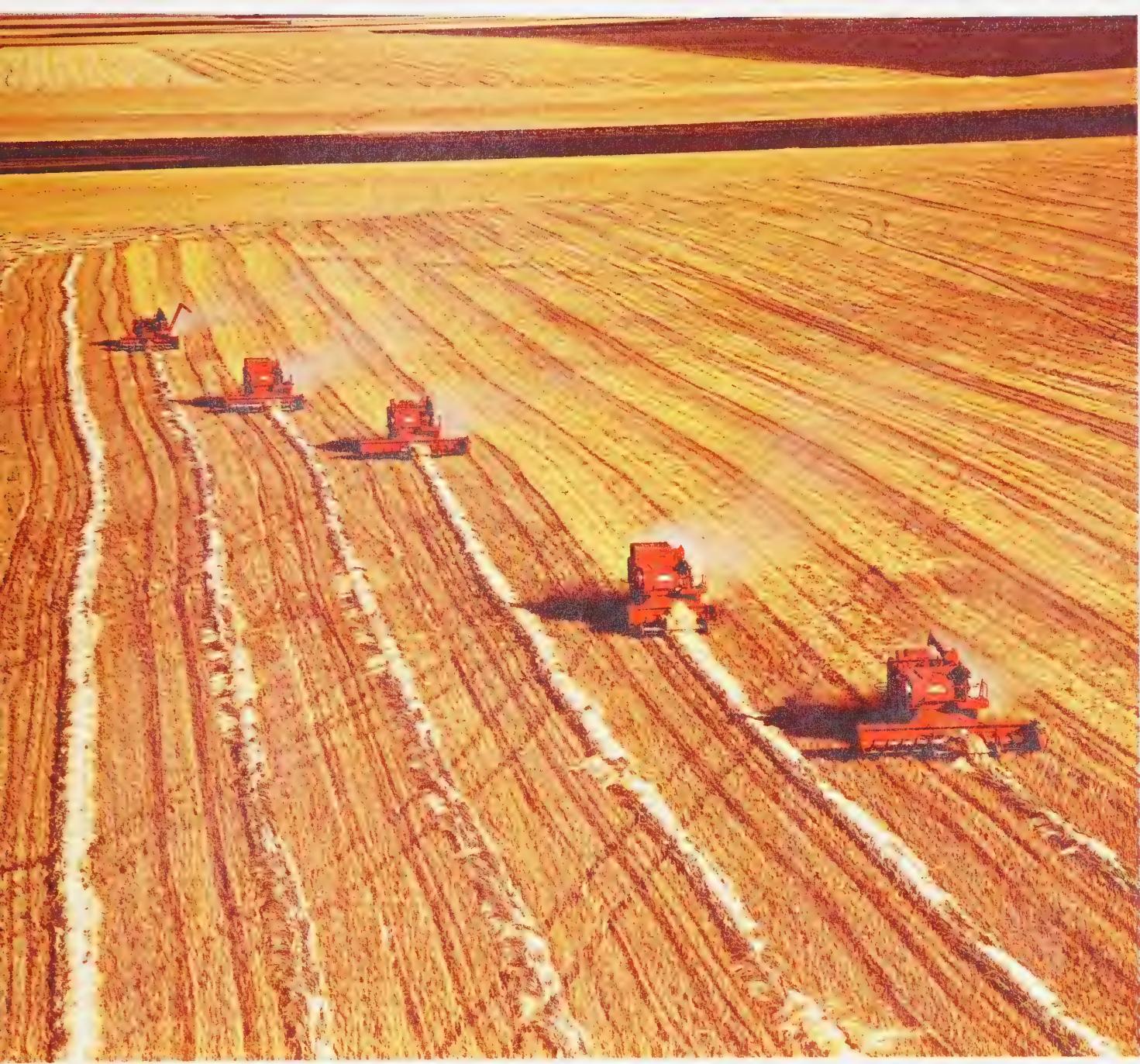
As we head into our 300th year, we feel the utmost confidence in the capacity of our staff to tackle the challenges that lie ahead with energy and enthusiasm.

On behalf of the Board

AMORY
Governor

25th March, 1969





World renowned for its wheat, Saskatchewan has broadened its economic base in recent years. Although agriculture is still the leading industry, the Province has become an important oil producer and most recently the site of the discovery of one of the world's largest deposits of potash. Five potash plants are now in production and a further four are under development. Hudson's Bay Company has twenty retail stores, four Wholesale Branches and two Raw Fur Branches in Saskatchewan. Keeping pace with the progress of the Province, the Company has made important new investments in Saskatchewan's two principal cities — Regina and Saskatoon.





The Provincial Legislative Building, situated on man-made Wascana Lake, is the dominant landmark in Regina, population 140,000, capital of Saskatchewan. The downramp of the new Bay Parkade adds a striking architectural perspective to the city's downtown area. The Company's 190,000 sq. ft. store opened its doors on February 29, 1968, to welcome thousands of new customers. A contemporary decor, illustrated by the chandelier above the escalators, provides an appropriate setting for 41 departments of up-to-the-minute merchandise, ranging from brightly coloured hats to fun-furs to decorative glassware.

The waters of the mighty South Saskatchewan River surge past the business district of Saskatoon, population 130,000 and the University of Saskatchewan, on their way to Hudson Bay. Downtown, the colourful mosaic design on the store and the crosswalk to The Bay Parkade are distinctive features of the shopping area. The Parkade was built and the store expanded in 1967 and a new budget floor was opened in 1968. Inside, spacious departments with elegant displays and small attractive boutiques in the latest fashion provide contrasting settings for a wide assortment of merchandise.





CONSOLIDATED BALANCE SHEET

HUDSON'S BAY COMPANY AND SUBSIDIARIES
31st JANUARY, 1969

	1969	1968
	\$	\$
CURRENT ASSETS		
Cash on hand and in bank	3,604,000	3,377,000
Short term securities at market value	9,480,000	8,973,000
Accounts receivable	87,261,000	81,949,000
Merchandise (Note 4)	63,810,000	164,155,000
	59,538,000	153,837,000
TRADE INVESTMENTS at cost (Note 3)		
Quoted Investments		
Hudson's Bay Oil and Gas Co. Ltd.	10,095,000	10,095,000
Other	185,000	185,000
	10,280,000	10,280,000
Unquoted Investments	1,310,000	11,590,000
	—	10,280,000
FIXED ASSETS (Note 10)		
Land and buildings	80,795,000	77,004,000
Equipment and transport	15,532,000	96,327,000
	14,526,000	91,530,000
AMORY		
W. J. KESWICK		
Directors		
	\$272,072,000	\$255,647,000

	1969	1968
	\$	\$
CURRENT LIABILITIES		
Bank loans and overdrafts	3,898,000	3,871,000
Short term loans	—	9,872,000
Accounts payable and accrued expenses	42,929,000	35,467,000
Income taxes payable (Note 2)	4,557,000	5,278,000
Proposed dividend	3,877,000	3,700,000
	55,261,000	58,188,000
 STAFF RETIREMENT	 4,428,000	 4,659,000
 DEFERRED INCOME TAXES (Note 2)	 1,539,000	 866,000
 LONG TERM DEBT OF SUBSIDIARIES (Note 11)	 47,195,000	 37,208,000
 SHAREHOLDERS' EQUITY		
 CAPITAL STOCK		
Authorised—£15,000,000		
Issued—13,553,428 ordinary shares of £1 each	35,238,000	35,238,000
 RESERVES (Note 9)		
Capital	20,847,000	20,813,000
Revenue	107,564,000	98,675,000
	163,649,000	154,726,000
	 \$272,072,000	 \$255,647,000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR YEAR ENDED 31st JANUARY, 1969

	1969	1968
	\$	\$
SALES	453,079,000	424,788,000
TRADING PROFIT after charging all costs and expenses of operation other than those listed below:—		
Depreciation (Note 5)	6,198,000	5,907,000
Interest on long term debt	2,873,000	2,158,000
Net short term interest	424,000	840,000
Directors' remuneration (Note 12)	400,000	393,000
Auditors' remuneration	78,000	73,000
	23,158,000	21,364,000
OTHER INCOME		
Quoted investments	2,049,000	2,049,000
Royalties	2,228,000	4,230,000
PROFIT BEFORE TAXES	27,435,000	25,594,000
TAXES ON CURRENT PROFITS		
U.K. corporation tax at 42½ %	6,458,000	5,600,000
Less estimated double taxation relief	5,980,000	5,460,000
	478,000	140,000
Canadian and U.S. taxes (Note 2)	12,254,000	11,346,000
PROFIT AFTER TAXES	\$14,703,000	\$14,108,000
APPROPRIATION OF PROFIT		
Parent Company		
Interim dividend, 9%	3,172,000	3,660,000
Exchange adjustment	—	488,000
	3,172,000	3,172,000
Proposed final dividend, 11% (10½ %)	3,877,000	7,049,000
Less estimated transitional tax relief	1,235,000	3,700,000
	5,814,000	6,872,000
Increase in revenue reserves	1,656,000	1,560,000
	7,470,000	5,312,000
Subsidiaries		
Increase in revenue reserves	7,233,000	1,966,000
	7,233,000	7,278,000
	\$14,703,000	\$14,108,000

SOURCE AND USE OF FUNDS

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR YEAR ENDED 31st JANUARY, 1969

	1969	1968
	\$	\$
SOURCE OF FUNDS		
Profit after taxes	14,703,000	14,108,000
Depreciation	6,198,000	5,907,000
Deferred income taxes	673,000	512,000
Provided from operations	21,574,000	20,527,000
Transitional tax relief	1,235,000	1,560,000
Disposal of fixed assets	284,000	376,000
Increase in long term debt	9,987,000	1,148,000
	\$33,080,000	\$23,611,000
USE OF FUNDS		
Additions to fixed assets	11,279,000	16,190,000
Additions to investments	1,310,000	—
Cost of dividends	7,049,000	7,360,000
Other—net	198,000	(390,000)
Increase in cash and short term securities	10,579,000	1,187,000
Increase (decrease) in other working capital	2,665,000	(736,000)
	\$33,080,000	\$23,611,000

REPORT OF THE AUDITORS TO THE PROPRIETORS

We have examined the annexed balance sheet and the annexed consolidated balance sheet and consolidated profit and loss account and the consolidated statement of source and use of funds.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts 1948 and 1967 and together with the notes thereon give respectively a true and fair view of the state of the Company's affairs at 31st January, 1969, and a true and fair view of the state of affairs and of the profit and source and use of funds of the Group.

11 Ironmonger Lane,
London, E.C.2.

25th March, 1969

Peat, Marwick, Mitchell & Co.
Chartered Accountants

BALANCE SHEET

HUDSON'S BAY COMPANY
31st JANUARY, 1969

	1969	1968
	\$	\$
CURRENT ASSETS		
Cash on hand and in bank	2,059,000	2,348,000
Accounts receivable	23,850,000	25,953,000
Due from subsidiaries	1,261,000	3,526,000
Merchandise (Note 4)	50,523,000	77,693,000
	46,732,000	78,559,000
 TRADE INVESTMENTS at cost (Note 3)		
Quoted	185,000	185,000
Unquoted	1,310,000	1,495,000
	—	185,000
 INVESTMENT IN SUBSIDIARIES		
at cost less amounts written off	58,097,000	58,097,000
 AMORY		
 W. J. KESWICK		
Directors	\$137,285,000	\$136,841,000

	1969	1968
	\$	\$
CURRENT LIABILITIES		
Bank loans and overdrafts	2,600,000	543,000
Short term loans	—	1,500,000
Accounts payable and accrued expenses	22,726,000	24,438,000
Income taxes payable	2,875,000	3,271,000
Due to subsidiaries	317,000	322,000
Proposed dividend	3,877,000	32,395,000
	32,395,000	33,774,000
 STAFF RETIREMENT	 4,428,000	 4,659,000
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorised—£15,000,000		
Issued—13,553,428 ordinary shares of £1 each	35,238,000	35,238,000
 RESERVES (Note 9)		
Capital	20,301,000	19,903,000
Revenue	44,923,000	100,462,000
	100,462,000	43,267,000
	100,462,000	98,408,000
	 \$137,285,000	 \$136,841,000

NOTES ON THE ACCOUNTS

1. EXCHANGE

U.K. assets, liabilities and profits have been converted at Canadian \$2.60 to the £ and U.S. assets, liabilities and profits at Canadian \$1.08 to the U.S. \$1.00. The rates of exchange on 31st January, 1969, were Canadian \$2.56 to the £ and Canadian \$1.07 to the U.S. \$1.00.

Unquoted investments comprise equity and loan capital held by the parent company in shopping centre companies incorporated in Canada, none of which is yet producing income.

2. TAXATION

No provision has been made for taxation which would arise if profits retained in and employed by subsidiaries were distributed.

Deferred income taxes represent tax relief on the accumulated excess of depreciation and other expenses allowed for taxation purposes over the corresponding amounts charged in the accounts. Taxation charged against current profits includes deferred taxes of \$673,000 (\$512,000).

3. TRADE INVESTMENTS

Hudson's Bay Company Investments Limited, a wholly-owned subsidiary, holds 4,008,656 common shares (21.9%) of the total of 18,294,044 common shares of Hudson's Bay Oil and Gas Company Limited, incorporated in Canada. Other common shares are held by Continental Oil Company (65.7%) and by the general public (12.4%). The market quotation at 31st January, 1969, on the Toronto Stock Exchange was \$36 $\frac{7}{8}$ per share. The other quoted investment consists of 450,000 ordinary shares (16.6% of the total ordinary issued capital) held by the parent company in Hill Thomson & Company Limited, registered in Scotland. The market quotation at 31st January, 1969, on the Stock Exchange, London, was 19/9d. per share.

4. MERCHANTISE

Merchandise has been valued at the lower of cost and net realisable value.

5. DEPRECIATION

All buildings, equipment and transport have been depreciated, using the straight line method, at rates that will fully depreciate the assets over their estimated useful life.

6. CAPITAL EXPENDITURE

Total capital expenditure authorised for subsidiary companies at 31st January, 1969, was \$10,468,000 (\$13,954,000) of which contracts issued amounted to \$3,440,000 (\$1,264,000).

7. LEASE COMMITMENTS

Annual minimum rentals under major leases in effect or contracted amount to approximately \$1,300,000. The average term of these leases is 17 years.

8. STATUTORY AND OTHER INFORMATION

A list of subsidiary companies, and the principal activities of the Group are given on pages 28 and 26.

As required by the Stock Exchange, London, the Company states that it is not a close company under the provisions of the Finance Act, 1965.

9. RESERVES

	Group		Parent Company	
	Capital Reserves	Revenue Reserves	Capital Reserves	Revenue Reserves
Balance at 31st January, 1968	\$20,813,000	\$98,675,000	\$19,903,000	\$43,267,000
Movements during the year:				
Transfer from subsidiary	—	—	364,000	—
Exchange adjustment	34,000	—	34,000	—
Net increase for year per profit and loss account	—	8,889,000	—	1,656,000
Balance at 31st January, 1969	\$20,847,000	\$107,564,000	\$20,301,000	\$44,923,000

10. FIXED ASSETS

Fixed Assets comprise the following:

	Freehold Land & Buildings	Equipment & Transport	Total
Cost	\$125,908,000	\$ 32,986,000	\$158,894,000
Accumulated depreciation	45,113,000	17,454,000	62,567,000
Net book value	\$ 80,795,000	\$ 15,532,000	\$ 96,327,000
Movements during the year were:			
Net book value at 31st January, 1968	\$ 77,004,000	\$ 14,526,000	\$ 91,530,000
Additions	6,498,000	4,781,000	11,279,000
Disposals	(211,000)	(73,000)	(284,000)
Depreciation	(2,496,000)	(3,702,000)	(6,198,000)
Net book value at 31st January, 1969	\$ 80,795,000	\$ 15,532,000	\$ 96,327,000

Because of the widespread distribution of the Company's numerous properties a detailed assessment of current market values has not been considered justified. The Directors, however, are in no doubt that the value of land and buildings is substantially in excess of the book value. Land includes mineral rights on approximately 4¹/₂ million acres in Western Canada recorded at nominal value.

11. LONG TERM DEBT

	1969	1968
Hudson's Bay Company Acceptance Limited		
6% debentures series "A" due 1980 (secured)	\$10,000,000	\$10,000,000
5 ³ / ₄ % debentures series "B" due 1983 (secured)	10,000,000	10,000,000
These debentures are guaranteed by the Parent Company		
Hudson's Bay Company Properties Limited		
5 ³ / ₄ % first mortgage bonds series "A" due 1990 (secured)	15,000,000	15,000,000
Annual sinking fund redemptions \$375,000 from 1970		
7 ¹ / ₂ % first mortgage bonds series "B" due 1991 (secured)	10,000,000	—
Annual sinking fund redemptions \$250,000 from 1971		
Henry Morgan & Co. Limited		
4 ³ / ₄ % sinking fund debentures due 1976 (unsecured)	1,060,000	1,060,000
Rupert's Land Trading Company		
Mortgages, 7% average	1,135,000	1,148,000
Repayable by instalments to 1988		
	\$47,195,000	\$37,208,000

12. DIRECTORS' REMUNERATION

	1969	1968
United Kingdom Directors	\$ 21,000	\$ 26,000
Canadian Directors	327,000	315,000
Pensions in respect of former directors	52,000	52,000
	\$ 400,000	\$ 393,000

COMPARATIVE SUMMARY

4.992%
5.220%

IN THOUSANDS OF DOLLARS

YEARS ENDED 31ST JANUARY

	1969	1968	1967	1966
Sales — Retail	371,951,000	349,968	334,905	307,626
— Fur	16,687	4,958	7,290	6,864
— Wholesale	74,441	69,862	62,979	56,121
— Total(excl.consignments)	453,079	424,788	405,174	370,611
Consignment sales	110,214	90,803	108,792	109,146
Profit — Retail	18,569	18,270	17,922	16,428
— Fur	2,265	868	1,497	1,884
— Wholesale	2,324	2,226	2,007	1,371
— Royalties	2,228	2,181	2,025	1,827
— Investment income	2,049	2,049	1,653	1,647
— Total before taxes	27,435	25,594	25,104	23,157
Taxes on profits	12,732	11,486	11,640	10,848
Net profit	14,703	14,108	13,464	12,309
Transitional tax relief	1,235	1,560	2,250	1,110
Cost of dividends	7,049	7,360	7,929	6,420
Profits retained	8,889	8,796	7,785	6,999
Capital expenditures	11,279	16,190	16,194	13,149
Depreciation	6,198	5,907	5,613	5,166
Fixed assets	96,327	91,530	81,777	71,841
Trade investments	11,590	10,280	10,308	10,308
Net current assets	102,927	90,124	90,975	94,677
Assets employed	210,844	191,934	183,060	176,826
Long term debt	47,195	37,208	36,060	37,719
Shareholders' equity	163,649	154,726	147,000	139,107
Shares outstanding (000's)	13,553	13,553	13,553	13,553
Number of shareholders	31,066	30,201	30,959	29,538
Net profit per share	\$1.08	\$1.04	99¢	91¢
Dividends per share (Note 2)	52¢	54¢	59¢	48¢

Notes: (1) Sterling and U.S. dollar figures have been converted at the rates of exchange used in the accounts of the individual companies.

(2) Dividends per share, declared in Sterling, have been converted at the rates of exchange prevailing at the time of declaration.

(3) Profits and dividends per share for the years 1960 and 1961 have been adjusted to reflect the bonus issues.

(4) Miscellaneous and non-recurring items have been excluded from profits but have been included in sharehold-

1965	1964	1963	1962	1961	1960
287,526	268,272	253,293	240,985	194,373	168,680
8,226	7,776	6,771	6,518	6,351	5,657
51,630	49,785	48,720	46,903	45,766	49,358
347,382	325,833	308,784	294,406	246,490	223,695
95,268	101,013	91,482	82,679	75,370	79,181
15,405	14,406	13,716	12,589	11,177	10,103
1,392	↓2,361	2,121	1,703	1,576	2,083
1,014	693	627	602	622	417
1,764	1,677	1,569	1,397	1,266	1,263
1,443	1,236	1,236	826	—	—
21,018	20,373	19,269	17,117	14,641	13,866
9,741	9,645	9,183	8,224	7,361	6,880
11,277	10,728	10,086	8,893	7,280	6,986
—	—	—	—	—	—
4,953	4,749	4,500	3,735	3,266	3,091
6,324	5,979	5,586	5,158	4,014	3,895
7,656	10,203	2,877	5,076	7,330	8,324
5,115	5,403	4,995	5,020	4,127	3,704
64,095	61,758	56,958	58,932	58,876	48,894
10,308	10,308	10,308	10,293	10,293	10,220
80,916	77,235	66,351	58,995	41,922	28,560
155,319	149,301	133,617	128,220	111,091	87,674
23,277	23,673	14,064	14,319	14,420	—
132,042	125,628	119,553	113,901	96,671	87,674
13,553	13,553	13,553	13,553	6,138	5,608
28,753	26,628	24,295	22,567	20,348	19,187
83¢	79¢	74¢	66¢	59¢	62¢
36¢	35¢	33¢	30¢	27¢	27¢

I years (Sterling: 1968-69 \$2.60; 1963-67 \$3.00; 1960-62 \$2.80. U.S. dollar: 1968-69 \$1.08; 1963-67 \$1.07; 1960-62 \$1.00.)

yment. Dividends paid prior to January 1, 1966, are shown after deduction of U.K. tax.

ade in August 1961 of one share for each share held.

equity.

THE COMPANY

(A BRIEF DESCRIPTION)

HISTORY

Hudson's Bay Company was incorporated in 1670 by Royal Charter, which granted the Company ownership and exclusive trading rights over all the lands draining into Hudson Bay. For its first 200 years the Company was engaged solely in the fur trade. Then in 1870, its territories were transferred to Canada in exchange for farm land in the Prairie Provinces. All this land has since been sold, but mineral rights on 4½ million acres have been retained. Toward the end of the 19th century, general stores evolved from trading posts and today retailing is the Company's most important activity.

RETAIL STORES

There are eight large downtown department stores in major Canadian cities, 25 medium-size department stores and 217 northern stores in smaller communities across the country. These figures include seven stores operated under the Morgan's name.

FUR

Hudson's Bay Company is the world's largest fur trading company with auction houses in London, Montreal and New York. In addition to consignment sales which account for the greater part of fur volume, raw furs are purchased by the Company at northern stores throughout Canada and sold at auction houses.

OIL

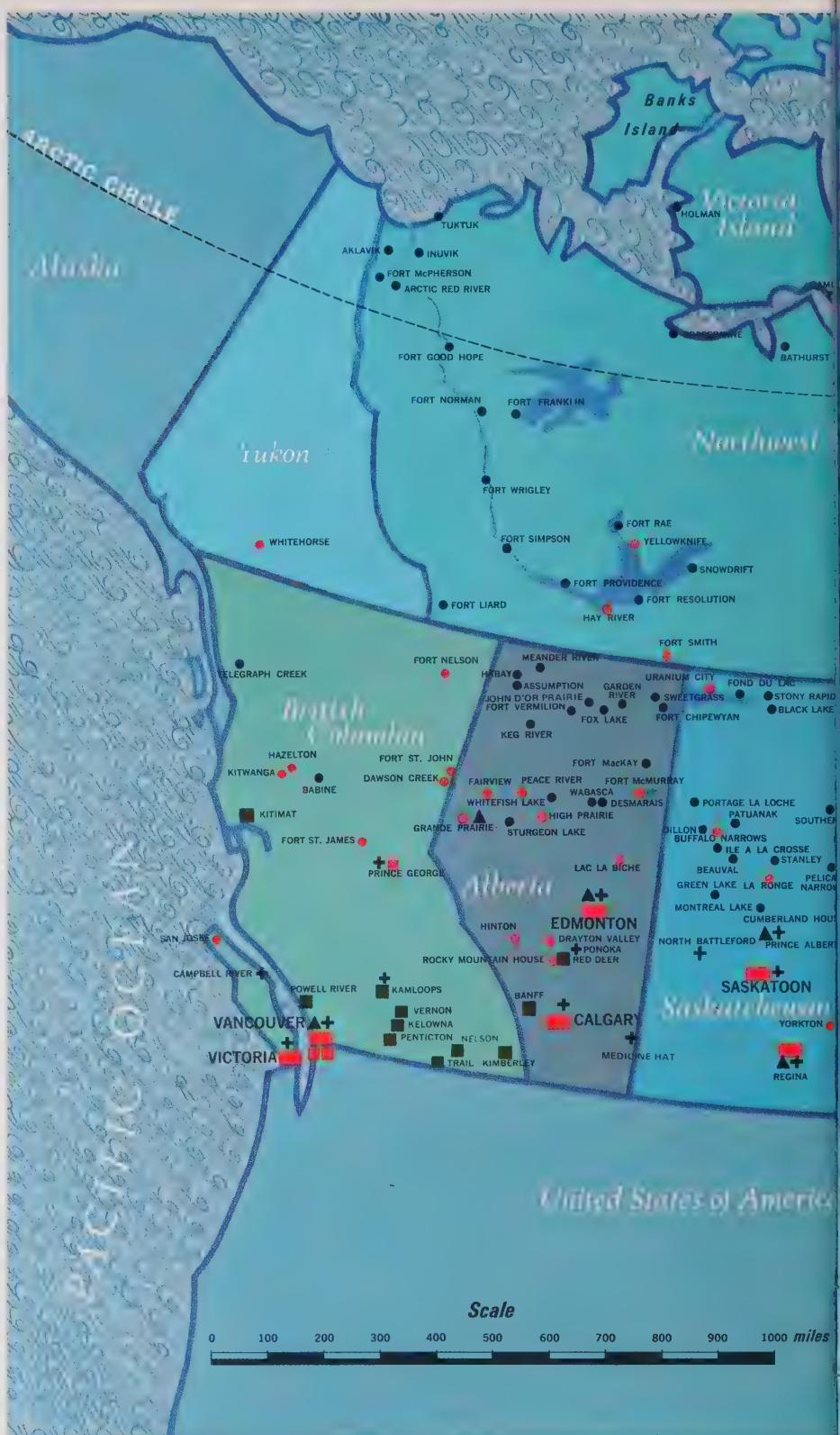
Petroleum and natural gas rights on 4½ million acres are optioned to Hudson's Bay Oil and Gas Company Limited, an associated company in which Hudson's Bay Company owns 21.9% of the common shares.

WHOLESALE

A range of products carrying the Company's name, including blankets and spirits, is marketed throughout Canada and the United States. The Company is also Canada's largest wholesale distributor of tobacco products.

STAFF

The Company employs approximately 15,000 people.





PRINCIPAL SUBSIDIARY COMPANIES (WHOLLY OWNED)

INCORPORATED IN CANADA

HENRY MORGAN & CO. LIMITED

Operates stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases deferred payment accounts

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD.

Property owning company

SCALES & ROBERTS LIMITED

Wholesale distributors

THE H. FORTIER COMPANY LIMITED

Wholesale distributors

INCORPORATED IN THE UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

INCORPORATED IN ENGLAND

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LTD.

Fur brokers

CORPORATE INFORMATION

HEAD OFFICE

Beaver House, Great Trinity Lane, London E.C.4, England

HEAD OFFICE FOR CANADA

Hudson's Bay House, 79 Main Street, Winnipeg 1, Manitoba

PRINCIPAL BANKERS

Canadian Imperial Bank of Commerce

Bank of Montreal

Glyn, Mills & Co.

REGISTRAR

Glyn, Mills & Co., Salisbury Square House, Salisbury Square, London E.C.4, England

CANADIAN REGISTRAR

The Royal Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver

AUDITORS

Peat, Marwick, Mitchell & Co.



LITHOGRAPHED IN CANADA BY
BULMAN BROS. (1968) LIMITED
WINNIPEG